

Message Text

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47

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08 TRSE-00

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 DODE-00 PA-03

USIA-12 PRS-01 L-03 AGR-20 NEA-10 RSR-01 /165 W

----- 007993

R 070700 Z APR 73

FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 3303

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

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E. O. 11652 GDS

TAGS: EEC PFOR

SUBJECT: VENUE FOR EC MONETARY FUND

REF: LUXEMBOURG 244, EC BRUSSELS 1856

SUMMARY: GOL AUTHORITIES EXTREMELY PLEASED WITH
LANGUAGE IN COUNCIL DECISION ON MOMETARY FUND WHICH
FAVORS EVENTUAL PERMANENT LOCATION HERE. THEY BELIEVE
THAT IT WILL BE EXTREMELY DIFFICULT TO REMOVE FUND
FROM LUXEMBOURG EVEN THOUGH ADMITTEDLY ONLY SMALL WORKING
GROUP IS LOCATED HERE FOR TIME BEING. END SUMMARY.

1. LUXEMBOURG GOVERNMENT AUTHORITIES ARE DESCRIBED IN
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NEWSPAPER AS BELIEVING COUNCIL COMPROMISE IS ACCEPTABLE AND SHOULD IN ANY CASE CONSTITUTE THE FIRST STEP TOWARD THE DEFINITIVE LOCATION OF THE FUND IN LUXEMBOURG. FOREIGN MINISTER THORN BELIEVES THE MEETING MADE AS FAVORABLE RECOMMENDATION AS POSSIBLE FOR THE LUXEMBOURG SIDE GIVEN THE INSTRUCTIONS TO THE THREE KEY REPRESENTATIVES (FRG, FRANCE AND THE UK).

2. GOL BASES OPTIMISM ON FOLLOWING FACTORS:

A. FINAL DECISION ON LOCATION OF FUND WILL BE TAKEN IN LIGHT OF PERMREP REPORT. THE MINISTERS HAVE INSTRUCTED THE PERMANENT REPRESENTATIVE TOGETHER WITH THE COMMISSION IN PREPARING THIS REPORT TO TAKE INTO CONSIDERATION ARTICLE 10 OF THE DECISION OF APRIL 8, 1965. ARTICLE 10 DEALS ONLY WITH THE SPECIFIC COMMITMENT TO LOCATE FINANCIAL INSTITUTIONS IN LUXEMBOURG AND IF GOL CAN DEMONSTRATE THAT FUND CAN FUNCTION EFFICIENTLY, REPORT WILL HAVE TO RECOMMEND LUXEMBOURG AS SITE.

B. GOL IS CONFIDENT THAT FUND CAN FUNCTION EFFICIENTLY. WORKING GROUP WILL MOVE INTO NEW OFFICE BUILDING OF STATE SAVINGS BANK WHICH IS BEING EQUIPPED WITH MODERN TELEX AND TELEPHONE COMMUNICATIONS. GOL IS PRESENTLY

CONNECTED BY DIRECT DIAL AND TELEX TO ALL MAJOR EUROPEAN AND NORTH AMERICAN FINANCIAL CENTERS. LUXEMBOURG OFFICIALS IN REACTION TO ENGLISH CRITICISM HAVE PREDICTABLY BECOME INCREASINGLY CRITICAL OF COMMUNICATION FACILITIES IN LONDON. THEY POINT OUT THE LUXEMBOURG' S FINDEL AIRPORT HAS MUCH LESS FOG THAN HEATHROW AND HAS NEVER BEEN CLOSED BY STRIKES. IN FACT LUXEMBOURG HAS NOT HAD A SERIOUS STRIKE FOR FIFTY YEARS, A RECORD WHICH THE BRITISH CAN ONLY ENVY. IN ADDITION, THE OFFICIALS POINT OUT THAT THE PRESENT CONGESTION ON LUXEMBOURG-LONDON TELEPHONE CONNECTIONS IS ALMOST ALWAYS ON THE BRITISH SIDE.

C. THERE IS NO FORMAL LINK BETWEEN FRENCH AND GERMAN LIMITED OFFICIAL USE

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DEMAND FOR REFORM OF LUXEMBOURG' S FINANCIAL REGULATIONS

AND STUDY ON THE LOCATION OF MONETARY FUND. NEVERTHELESS, GOL OFFICIALS SEEM TO ACCEPT NECESSITY THAT THEY MUST MAKE A BOW IN THIS DIRECTION. FRG REQUEST IS FOR LUXEMBOURG TO PREVENT THE USE OF THEIR FINANCIAL CENTER FOR EVASION OF GERMAN EXCHANGE CONTROLS. FRENCH SEEM TO EMPHASIZE NECESSITY TO INCREASE LOW LUXEMBOURG REGISTRATION TAX FOR NEW HOLDING COMPANIES. GOL IS IN POSITION TO BE SUFFICIENTLY FORTHCOMING TO SATISFY FRG AND FRENCH DEMANDS WITHOUT SERIOUSLY AFFECTING THE ATTRACTIVENESS OF THE FINANCIAL CENTER AND WITHOUT COMPROMISING THEIR BASIC POSITION THAT LUXEMBOURG ALONE SHOULD NOT BE PRESSURED INTO CHANGING FINANCIAL LAWS BEFORE MEMBER STATES AGREE TO EC WIDE HARMONIZATION.

D. GOL'S GAME PLAN HAS ALWAYS BEEN BASED ON SUPPOSITION THAT IF EC PARTNERS SUPPORT HER, BRITAIN WOULD BE ISOLATED AND HAVE TO GIVE WAY. THIS IS EXACTLY WHAT HAPPENED AT COUNCIL MEETING WHEN GREAT BRITAIN FOUND HERSELF ALONE AND HAD TO DROP OPPOSITION TO PROPOSAL THAT APPROPRIATE ADMINISTRATIVE SUPPORT BE IN LUXEMBOURG TEMPORARILY.

E. GOL ALSO BELIEVES TIME IS ON ITS SIDE. IN ADDITION TO FUND'S LOCATION, COUNCIL MUST DECIDE QUESTIONS OF CAP PRICE LEVELS, FISHERIES, MTN MANDATE AND MEDITERRANEAN POLICY BY JUNE 30. THEREFORE IT IS DOUBTFUL THEY CAN AFFORD ANOTHER LONG MEETING ON FUND LOCATION. THE OUTCOME OF THESE QUESTIONS IS ALSO MORE IMPORTANT TO UK THAN WHETHER FUND IS LOCATED IN LUXEMBOURG OR BRUSSELS.

3. GOL OFFICIALS REALIZE THAT THE BATTLE IS FAR FROM WON. AT END OF MEETING BRITISH REPRESENTATIVE SAID IN CHALLENGING WAY TO GOL PERMREP DONDELINGER THAT COUNCIL ACTION IS NO WAY CHANGES BASIC BRITAIN OPPOSITION. GALANTO

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